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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 69307

JAN 27 2017

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Direct Realty Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

5743 Corsa Avenue, Suite 215

(No. and Street)

Westlake Village
(City)

California
(State)

91362
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jay Kerner

818-632-0485

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Brian W. Anson

(Name - if individual, state last, first, middle name)

18425 Burbank Blvd., #606
(Address)

Tarzana
(City)

California
(State)

91356
(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, Jay Kerner, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Direct Realty Securities, Inc., as of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

President
Title

Please see attached Notary Jurat

Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

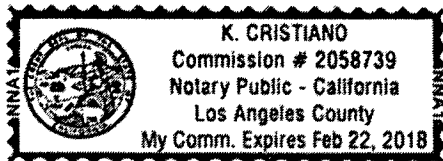
**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Ventura

Subscribed and sworn to (or affirmed) before me on this 18
day of JAN, 20 17, by Jay Kerner

proved to me on the basis of satisfactory evidence to be the
person(s) who appeared before me.



(Seal)

Signature K. Cristiano

BRIAN W. ANSON

Certified Public Accountant

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Direct Realty Securities, Inc.
Westlake Village, California

I have audited the accompanying statement of financial condition of Direct Realty Securities, Inc. as of December 31, 2016 and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of Direct Realty Securities, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Direct Realty Securities, Inc. as of December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplemental information for the year ended December 31, 2016 (Schedule I, Statement of Net Capital Under Rule 15c3-1, Schedule II, Determination of Determination of Reserve Requirements Under Rule 15c3-3 (exemption), and Schedule III, Information for Possession or Control Requirements Under Rule 15c3-3 (exemption)) has been subjected to audit procedures performed in conjunction with the audit of Direct Realty Securities, Inc.'s financial statements. The supplemental information is the responsibility of Direct Realty Securities, Inc.'s management. My audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming my opinion on supplemental information, I evaluated whether the supplemental information, including the form and content is presented in conformity with Rule 17a-5 of the Securities Exchange Act of 1934. In my opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This opinion is intended solely for the information and use of the board of directors, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Brian W. Anson
Certified Public Accountant
Tarzana, California
January 23, 2017

DIRECT REALTY SECURITIES, INC.

Statement of Financial Condition
December 31, 2016

ASSETS

Cash	\$ 27,195
Furniture and equipment, net of accumulated depreciation of \$6,560	7,498
Other assets	<u>11,055</u>
Total assets	<u>\$ 45,748</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Accounts payable	<u>10,127</u>
Total liabilities	<u>\$ 10,127</u>

STOCKHOLDERS' EQUITY:

Common stock, \$1 par value. 100 shares issued, and outstanding	100
Additional paid in capital	131,250
Retained deficit	<u>(95,729)</u>
Total stockholders' equity	<u>35,621</u>
Total liabilities and stockholders' equity	<u>\$ 45,748</u>

DIRECT REALTY SECURITIES, INC

Statement of Income
For the year ended December 31, 2016

REVENUES:

\$40,000

EXPENSES:

Depreciation	2,812
Legal and professional fees	15,823
Occupancy	7,200
Telephone	2,400
Other general and administrative expenses	10,205
Total expenses	<u>38,440</u>

NET INCOME BEFORE INCOME TAXES

\$ 1,560

Income Tax Expense

800

NET INCOME AFTER INCOME TAXES

\$ 760

DIRECT REALTY SECURITIES, INC

Statement of Changes in Stockholder's Equity
For the year ended December 31, 2016

	Total Shareholder's Equity
Beginning balance January 1, 2016	\$ 27,861
Capital Contributed	7,000
Net income	760
Ending balance December 31, 2016	\$ 35,621

DIRECT REALTY SECURITIES, INC

Statement of Cash Flows For the year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 760
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	2,812
Other assets	(8,595)
Increase (decrease) in:	
Accounts payable	(3,179)
Total adjustments	<u>(8,962)</u>
Net cash provided by operating activities	<u>(8,202)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Capital contributed	<u>7,000</u>
Net cash provided by financing activities	<u>7,000</u>
Decrease in cash	(1,202)
Cash-beginning of period	28,397
Cash-end of period	<u><u>\$ 27,195</u></u>

Supplemental disclosure of cash flow information

Cash paid during the year for:	
Interest	\$ -
Income taxes	\$ 800

DIRECT REALTY SECURITIES, INC.
Notes to Financial Statements
For the year ended December 31, 2016

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Direct Realty Securities Inc., (the "Company"), was formed in March, 2013, in the State of California as an S corporation. The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC"). The Company is authorized to engage in private placements of securities and merger and acquisition advisory services. The Company does not hold customer funds or safeguard customer securities.

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting principles generally require that recognized revenue, expense, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Equipment is stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Equipment is depreciated over its estimated useful life of five (5) years by the straight line method.

The management has reviewed the results of operations for the period of time from its December 31, 2016 through January 23, 2017 the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

The Company is subject to audit by the taxing agencies for years ending December 31, 2013, 2014, and 2015.

DIRECT REALTY SECURITIES, INC.
Notes to Financial Statements
For the year ended December 31, 2015

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Company, with the consent of its Stockholder, has elected to be an S Corporation and accordingly, has its income taxed under Sections 1361-1379 of the Internal Revenue Code. Subchapter S of the Code provides that the Stockholder, rather than the Company, is subject to tax on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar regulations, although there exists a provision for a minimum Franchise Tax and a tax rate of 1.5% over the minimum franchise fee of \$800.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritized the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820 are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

There are no levels to measure at December 31, 2016.

DIRECT REALTY SECURITIES, INC.
Notes to Financial Statements
For the year ended December 31, 2016

Note 2: COMMITMENTS AND CONTINGENCIES:

The Company has an expense sharing agreement ("Expense Sharing Agreement") with U.S. Realty Partners, Inc. ("USRP"), which is 100% owned by Jay Kerner, who is also the 100% owner of the Company. Pursuant to the terms of the Expense Sharing Agreement dated February 1, 2014, USRP agrees to Furnish to DRSI, to the extent required, office space, office equipment and supplies as well as any other service required in DRSI's administration as agreed from the time to time by USRP and DRSI. It is expressly understood that USRP will not assist or otherwise have any involvement in the management, sales activities or decision-making process of DRSI incident to its broker/dealer activities but rather shall only be providing administrative and back office support services for such activities. The terms and conditions of the Expense Sharing Agreement may be changed in writing by mutual agreement of the parties.

The following services and fees shall be shared between DRSI and USRP as follows and pursuant to the terms of the Expense Sharing Agreement:

<u>Description Of Services And Fees To Be Shared</u>	<u>Monthly Cost Allocation to be paid by DRSI</u>
1. Office Rent	\$600
2. Office Supplies	\$200
3. Telephone/Fax/Internet	\$200

The total amount due from DRSI to USRP for the period of 1/1/16 through 12/31/16 was \$12,000. \$9,000 is unpaid and owed to DRSI at December 31, 2016.

Note 3: NET CAPITAL

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2016 the Company had net capital of \$15,091, which was \$10,091 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness to net capital was 0.59 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker dealer.

DIRECT REALTY SECURITIES, INC

Statement of Net Capital Schedule I For the year ended December 31, 2016

	Focus 12/31/16	Audit 12/31/16	Change
Stockholder's equity, December 31, 2016	\$ 35,621	\$ 35,621	\$ -
Subtract - Non allowable assets:			
Fixed assets	11,055	11,055	-
Other assets	7,498	7,498	-
Tentative net capital	17,068	17,068	-
Haircuts	0	0	-
NET CAPITAL	17,068	17,068	-
Minimum net capital	5,000	5,000	-
Excess net capital	\$ 12,068	\$ 12,068	-
Aggregate indebtedness	10,127	10,127	-
Ratio of aggregate indebtedness to net capital	0.59	0.59	

There were no reported differences between the audit and Focus at December 31, 2016.

DIRECT REALTY SECURITIES, INC

Schedule II

Determination of Reserve Requirements

Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2016

The Company is exempt from the Reserve Requirement of computation according to the provision of Rule 15c3-3(k)(2)(i).

Schedule III

Information Relating to Possession or Control Requirements

Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2016

The Company is exempt from the Rule 15c3-3 as it relates to Possession and Control requirements under the (k)(2)(i) exemptive provision.

Assertions Regarding Exemption Provisions

We, as directors of management of Direct Realty Securities, Inc. ("the Company"), are responsible for compliance with the annual reporting requirements under Rule 17a-5 of the Securities Exchange Act of 1934. Those requirements compel a broker or dealer to file annual reports with the Securities Exchange Commission (SEC) and the broker or dealer's designated examining authority (DEA). One of the reports to be included in the annual filing is an exemption report prepared by an independent public accountant based upon a review of assertions provided by the broker or dealer. Pursuant to that requirement, the management of the Company hereby makes the following assertions:

Identified Exemption Provision:

The Company claims exemption from the custody and reserve provisions of Rule 15c3-3 by operating under the exemption provided by Rule 15c3-3, Paragraph (k)(2)(i).

Statement Regarding Meeting Exemption Provision:

The Company met the identified exemption provision without exception throughout the period ending January 1, 2016 through December 31, 2016.

DIRECT REALTY SECURITIES, INC.

By: 

(Name and Title)

JAY KERVEN, PRESIDENT

January 23, 2017

(Date)

BRIAN W. ANSON

Certified Public Accountant

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818


**REPORT OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

Board of Directors
Direct Realty Securities, Inc.
Westlake Village, California

I have reviewed management's statements, included in the accompanying Exemption Report in which (1) Direct Realty Securities, Inc., identified the following provisions of 17 C.F.R. §15c3-3(k) under which Direct Realty Securities, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(i) (the "exemption provision") and (2) Direct Realty Securities, Inc., stated that Direct Realty Securities, Inc., met the identified exemption provision throughout the most recent fiscal year without exception. Direct Realty Securities, Inc.'s management is responsible for compliance with the exemption provision and its statements.

My review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and accordingly, included inquiries and other required procedures to obtain evidence about Direct Realty Securities, Inc.'s compliance with the exemption provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.



Brian W. Anson
Certified Public Accountant
Tarzana, California
January 23, 2017

DIRECT REALTY SECURITIES, INC.
FINANCIAL STATEMENTS
AND
ACCOMPANYING SUPPLEMENTARY INFORMATION

REPORT PURSUANT TO SEC RULE 17a-5(d)

FOR THE YEAR ENDED
DECEMBER 31, 2016

DIRECT REALTY SECURITIES, INC.

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